

COMMUNITIES' REFLECTIONS ON OIL COMPANIES' CORPORATE  
SOCIAL RESPONSIBILITY ACTIVITIES IN UTQIAGVIK, ALASKA

By

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## Abstract

This thesis explores the reflections of Utqiagvik community members on British Petroleum's Corporate Social Responsibility activities within the region of North Slope, Alaska. The term Corporate Social Responsibility (CSR) refers to actions taken by corporations to improve the quality of life for its employees, local community members, and the environment, while also contributing to its own economic development. The thesis is driven by a guiding research question: how have the people of Utqiagvik responded to the CSR activities of oil companies whose oil extractive industry operations impact the region's social, economic, and environmental welfare? In particular, this thesis seeks to understand why CSR activities sometimes fail to achieve their purported goals. By interviewing residents from the community of Utqiagvik, I obtained perspectives on the impacts of oil development on the local environment and community, bringing to light the limits of current CSR activities, such that I might provide recommendations for rectifying CSR shortfalls. I argue that while oil companies' profit motives tend to restrict the potential of CSR activities, local people should be able to influence the types of CSR activities corporations pursue, given that they experience the local impacts of the industry. Based on my respondents' perspectives, I suggest that oil companies improve their risk-management approaches and communicate and discuss more effectively with local communities their current and planned developments and their intentions to minimize impacts, respect local culture and hire more local employees. The thesis concludes by offering recommendations to the oil companies regarding the nature and desired impacts of their CSR activities.

*Keywords:* Corporate Social Responsibility; oil exploration industry; Utqiagvik, Alaska; indigenous perspectives; environmental development; community development; sustainability

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## Chapter 1 Introduction

Within the ongoing context of climate change and the opening of the previously ice-bound Arctic Ocean, the weight of obligation on oil and gas companies to protect the environment and communities they operate within and around has substantially increased. This includes nearby communities whose existence and lifestyle predates the arrival of oil and gas activities. My thesis examines Utqiagvik community members' reflections on British Petroleum (BP)'s Corporate Social Responsibility (CSR) programs on the North Slope of Alaska. The term Corporate Social Responsibility refers to actions taken by corporations that appear to further some social good, beyond the economic interests of the firm and what regulatory laws require.<sup>1</sup> Corporations may take actions such as ensuring operational safety, protecting the environment by increasing energy efficiency, and engaging with local communities where they operate. As part of my research, I gathered community observations on BP's CSR activities, asking respondents about benefits they have observed, as well as shortcomings of CSR activities. Respondents' reflections suggested that BP's CSR activities in Utqiagvik have been limited in four respects: 1) research into and risk management of potential environmental problems, 2) the sharing of information, 3) long-term commitment to local communities and 4) the employment of locals. I argue that oil companies' profit motive tends to restrict the desired outcomes of CSR activities and, as a recommendation, suggest that residents should seek to define for themselves relevant and appropriate CSR activities, given that they experience the local impacts of the resource extraction industry.

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<sup>1</sup> Abigail McWilliams and Donald Siegel, "Corporate Social Responsibility: A Theory of the Firm Perspective," *Academy of Management Review* 26, no. 1 (2001): 117-127.

Utqiagvik presents an excellent case study for a number of reasons. Located where the Chukchi and Beaufort Seas meet, Utqiagvik is surrounded by an abundance of natural resources.<sup>2</sup> Utqiagvik lies in a region with strong potential for offshore oil exploration; indeed, oil development has already been taking place in the region for a number of decades and both oil and gas development continue to take place in the community. Local peoples' reflections on BP's CSR activities in Utqiagvik thus provide a viable case study to test the limitations and potential of CSR. Moreover, this case study provides insight for oil companies to maintain more sustainable and responsible resource development in the future.

For this research, I gathered data on community perceptions of oil company CSR activities in the region from a variety of sources: the secondary literature on CSR activities, and the history of oil development on the North Slope of Alaska, and especially Utqiagvik; as well as reports from federal and state governments, non-governmental organizations (NGOs), and oil companies. I also interviewed seven people with close ties to the community of Utqiagvik. Respondents of differing ages represented a variety of backgrounds and experiences such as college students, teachers, and oil company employees.

### 1.1 Research Background and the Significance of Research

According to the U.S. Geological Survey, a quarter of the world's undiscovered oil reserves lie in the Arctic. Northern Alaska has an abundance of oil and gas reserves with the geology above the Arctic Circle holding an estimated 90 billion barrels of oil and 1,669 trillion cubic feet of natural gas. Climate change has diminished Arctic sea ice coverage, thus

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<sup>2</sup> Stephen R. Braund and Associates, "Impacts and Benefits of Oil and Gas Development to Barrow, Nuiqsut, Wainwright, and Atkasuk Harvesters," prepared for the North Slope Borough Department of Wildlife Management (2009).

increasing the accessibility of Arctic oil and gas reserves and rendering exploration, development and extraction in the region more economically feasible than ever before.

With its abundant natural resources, the North Slope region has experienced extensive oil development. For instance, in November 2017, Alaska and China signed the historic Joint Development Agreement on natural gas development.<sup>3</sup> In Alaska, communities such as Wainwright and Nuiqsut have been greatly affected by oil activities since commercial oil production began in the Prudhoe Bay area in the 1960s. Researchers have studied the effects of oil production in these area in the 1980s. These effects included economic development, interference with subsistence activities, changes in social norms and environmental contamination.<sup>4</sup> For example, Arctic conditions such as moving sea ice and a poorly developed emergency response infrastructure present enormous challenges to clean-up and recovery in the event of oil spills and pollutants.

Concerns regarding the well-being of northern Alaska's people are increasing along with calls for more sustainable development.<sup>5</sup> Meanwhile, government agencies and NGOs focused on environmental protection are watching oil companies' operational procedures more closely. Governments have applied stricter regulations to oil exploration and extraction activities. NGOs are also demanding more of oil and gas operations in terms of environmental responsibility. These influences have heightened oil company awareness of how the public

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<sup>3</sup> "Alaska and China Sign Historic Joint Development Agreement-Developing America's Largest Energy Export Project," *Alaska Gasline Development Corp.*, accessed November 09, 2017, <https://agdc.us/wp-content/uploads/2017/11/Alaska-and-China-Sign-Historic-Joint-Development-Agreement-Press-Release.pdf>

<sup>4</sup> John Kruse, "Subsistence and the North Slope Inupiat: The Effects of Energy Development," *Contemporary Alaskan Native Economies*, Maryland: University Press of America (1986): 121-152.

<sup>5</sup> W. Rickerson et al., "Renewable Energies for Remote Areas and Islands (REMOTE)," *International Energy Agency-Renewable Energy Technology Deployment (IEA-RETD)*, Paris, France (2012).

perceives the environmental impacts of their activities.<sup>6</sup> Such scrutiny pressures oil companies to take more active measures to mitigate environmental impacts and to expand sustained social and economic benefits of oil development activities.<sup>7</sup> CSR activities allow oil companies to fulfill their environmental responsibilities. Environmentally and socially sustainable development of the Arctic's non-renewable natural resources (oil and gas) will benefit future generations in the Arctic and beyond. This thesis will contribute to the current and future study of Corporate Social Responsibility and sustainable development in the Arctic.



Figure 1. Utqiagvik (Barrow), Alaska. Derives from: [https://commons.wikimedia.org/wiki/File: Utqiagvik \\_AK.jpg](https://commons.wikimedia.org/wiki/File:Utqiagvik_AK.jpg)

Utqiagvik lies on the Chukchi Sea coast at the northern most point of Alaska. It is approximately 350 miles north of the Arctic Circle.<sup>8</sup> It is the largest city of the North Slope Borough and the northernmost city in the United States. The population of Utqiagvik is

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<sup>6</sup> Williams and Siegel, *Corporate Social Responsibility*, 118.

<sup>7</sup> Stefan Ambec and Lanoie Paul, "Does It Pay to Be Green? A Systematic Overview," *The Academy of Management Perspectives* 22, no. 4 (2008): 45-62.

<sup>8</sup> Lisa Demer, "Barrow's New Name Is Its Old One, Utqiagvik. Local Iñupiaq Leaders Hope Its Use Heals As It teaches," *Alaska Dispatch News*, accessed October 19, 2017, <https://www.adn.com/alaska-news/rural-alaska/2016/10/29/barrows-new-name-is-its-old-one-utqiagvik-local-inupiaq-leaders-hope-its-use-heals-as-it-teaches/>.

approximately 4,900 residents, and the major ethnic group, at 63 percent, is the Inupiaq people.<sup>9</sup> Utqiagvik has a polar climate with the weather posing challenges to human comfort and safety much of the year.<sup>10</sup> While Utqiagvik is a modern community, many still engage in subsistence activities to feed themselves, their families and the wider Utqiagvik community, as is their tradition. Their food sources include whale, walrus, seal, fish and caribou, which they harvest along the coast or from coastal waters. The bowhead whale, in particular, has played and continues to play a central role in Inupiaq life and culture.<sup>11</sup> The National Petroleum Reserve—Alaska surrounds Utqiagvik with the community lying on the doorstep of offshore oil development. Oil production has affected the local environment, including its flora and fauna. It has altered caribou migration routes, and seismic testing has also affected the lives of the sea mammals such as the bowhead whales.<sup>12</sup> This economic enterprise, therefore, has impacted the subsistence activities of local inhabitants.

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<sup>9</sup> “Utqiagvik,” *Official Website of the North Slope Borough*, accessed May 10, 2018, <http://www.north-slope.org/our-communities/utqiagvik>.

<sup>10</sup> “Summary about Barrow NWS Station,” accessed April 1, 2018, [climate.gi.alaska.edu](http://climate.gi.alaska.edu).

<sup>11</sup> “State of Alaska Community Database,” accessed August 3, 2018, <https://www.commerce.alaska.gov/dcra/dcraexternal/>.

<sup>12</sup> “Cumulative Environmental Effects of Oil and Gas Activities on Alaska’s North Slope,” *Washington, DC: The National Academies Press* (2003).



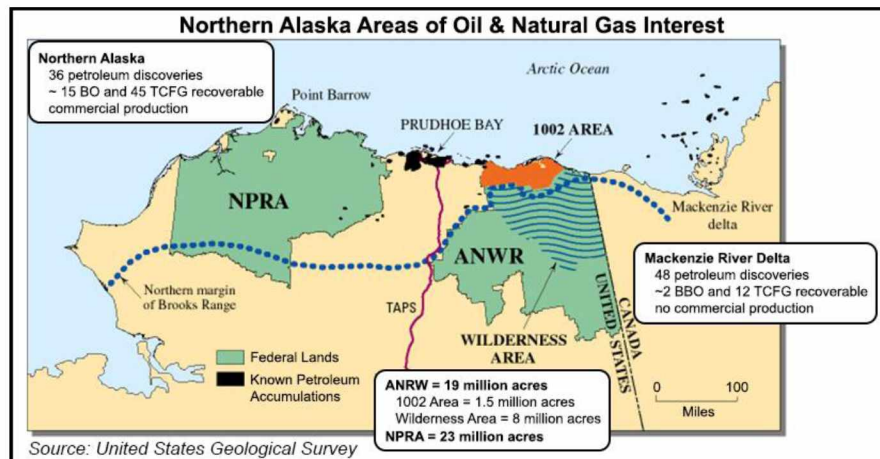


Figure 2. Northern Alaska Areas of Oil & Natural Gas Interest. Derives from: <https://pubs.usgs.gov/fs/fs-0028-01/fs-0028-01.htm>

Much of the literature examining CSR activities focuses on regions outside of Alaska such as Africa and South America.<sup>13</sup> Yet Utqiagvik has experienced much oil development in the twentieth century and has the potential for offshore oil development in the early twenty-first century. Using the community of Utqiagvik for my case study on CSR offers insight into relationships between communities and oil companies, in a region as they make choices. Oil companies can improve their strategies, before practices become entrenched and before damages resulting from oil and gas production are irreparable. This case study of Utqiagvik sheds light on the impacts of offshore oil development on Arctic coastal communities. It also contributes to the body of literature on CSR and the relations between corporations and local communities by analyzing local people's perspectives and offering recommendations to oil

<sup>13</sup> Jędrzej George Frynas, "The False Developmental Promise of Corporate Social Responsibility: Evidence from Multinational Oil Companies," *International Affairs* 81, no. 3 (2005): 581-598; Lars H. Gulbrandsen and Arild Moe, "BP in Azerbaijan: A Test Case of the Potential and Limits of the CSR Agenda?" *Third World Quarterly* 28, no. 4 (2007): 813-830; Ilan Kelman et al., "Local Perceptions of Corporate Social Responsibility for Arctic Petroleum in the Barents Region," *Arctic Review* 7, no. 2 (2016):154; Laura A. Henry et al., "Corporate Social Responsibility and the Oil Industry in the Russian Arctic: Global Norms and Neo-paternalism," *Europe-Asia Studies* 68, no. 8 (2016): 1340-1368.

companies. Responsible activities by oil developers will not only improve public opinion of the corporations but contribute to the well-being of the communities in and near which they operate. CSR also serves to contribute to environmental protection and sustainability.<sup>14</sup>

## 1.2 Corporate Social Responsibility

Oil companies themselves introduced the concept of Corporate Social Responsibility (CSR) into their operational strategies. For multinational oil companies, CSR activities include improving risk management strategies such as oil spill prevention measures; working on energy efficiency and renewable energy; building relations with the local communities where they operate; improving employees' life quality and contributing to society at large.<sup>15</sup>

Oil companies now engage in CSR activities to demonstrate their commitment to environmental protection and the economic and social development of the communities where they operate.<sup>16</sup> Meanwhile, CSR provides both internal and external benefits for oil companies, when it is highly effective and democratic. Internal benefits include increased profits for the oil company and increased employee-satisfaction. Effective CSR can raise profits by reducing companies' costs; for example, increased energy efficiency can reduce the costs of material,

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<sup>14</sup> Williams and Siegel, *Corporate Social Responsibility*, 117-120.

<sup>15</sup> Frynas, *The False Development Promise*, 813-830.

<sup>16</sup> Williams and Siegel, *Corporate Social Responsibility*, 117-120.

services, capital and labor used to generate the energy. The external benefits of CSR include greater environmental protection and a more positive public image for the oil company.<sup>17</sup>

However, since its implementation, oil companies have shown mixed reception to CSR. Some companies, such as British Petroleum (BP), have integrated CSR as a core value that guides each development plan, while others, such as Shell Oil Company, use CSR merely as a “window-dressing” to placate the public.<sup>18</sup> As part of my research I solicited community members’ opinions to explore the role of the CSR in oil companies’ strategic plans and to discover whether CSR had expanded sustainable economic development and social benefits to their community. Identifying the limitations of CSR is vital to communities’ ability to make informed decisions about economic development. Measuring the effectiveness of an oil company’s CSR activities requires consideration of multiple dimensions, for example: expenditures toward infrastructure and job opportunities; efforts to support community health care and education; and investments in risk management and environmental protection.<sup>19</sup>

### 1.3 Central Arguments

This research finds four major limitations to oil companies’ CSR activities in Utqiagvik. First, research on local operations and risk management regarding oil spills has been insufficient. Second, community engagement such as the sharing of information among community members has been minimal and ineffective. Third, respect for local traditions and

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<sup>17</sup> Manuel Castelo Branco and Lúcia Lima Rodrigues, “Corporate Social Responsibility and Resource-based Perspectives,” *Journal of Business Ethics* 69, no. 2 (2006): 111-132.

<sup>18</sup> Ruth V. Aguilera et al., “Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations,” *Academy of Management Review* 32, no. 3 (2007): 836-863.

<sup>19</sup> Aguilera et al., *Putting the S Back*, 836-863.

activities within the community has been lacking. Fourth, oil companies have failed to engage with locals regarding employment resulting in too few from the community being employed.

Based on these limitations, this thesis argues that: oil companies' activities, when overly determined by its profit motive, tend to restrict the potential of its CSR obligations. The profit motive of oil companies restricts the reach and potential of CSR activities. The profit motive can compete with environmental protection imperatives. Oil companies' failure to protect local environment can create local communities' dissatisfaction. Oil companies' reluctance to engage with local communities can restrict the potential of CSR activities. CSR activities' success or failure depends on whether the activities are motivated by oil companies' authentic desire to contribute positively to communities' development initiatives.

#### 1.4 Research Design, Methodology and Data Collection

My chosen method of research is the case study. Social scientists have made wide use of case studies as a qualitative research tool.<sup>20</sup> Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between the phenomenon and context are not evident, and which uses multiple sources of evidence.<sup>21</sup> Case studies have limitations, the main one being that findings from one case study alone cannot be generalized. However, the case study method has the advantage of showing how specific contextual environments shape political processes.<sup>22</sup> The case study method lends itself well to the analysis of oil companies' CSR activities in the Arctic

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<sup>20</sup> John W. Creswell and J. David Creswell, "Research Design: Qualitative, Quantitative, and Mixed Methods Approach," *Sage Publications* (2017).

<sup>21</sup> Robert K. Yin, "Case Study Research and Applications: Design and Methods," *Sage publications* (2017): 23.

<sup>22</sup> Yin, *Case Study Research and Applications*:23.

because it allows for the consideration of how particular community and environmental characteristics interact with oil company aims and practices in ways that differ from other contexts. Although my findings in Utqiagvik cannot be generalized, this research might, nonetheless, provide some insight for other Arctic communities interacting with oil companies and other corporations conducting CSR activities. This thesis may also serve government officials in more effectively addressing the impacts on communities and regions of climate change and resource development. Upon submitting the IRB paperwork for my thesis to Gretchen L. Hundertmark, the Research Integrity Administrator of the Office of Research Integrity and the University of Alaska Fairbanks Institutional Review Board (IRB), I discovered that the results of my case study are not considered generalizable, and therefore, my research was not subject to IRB review and approval.

My research process included examining the existing CSR literature, especially that concerning oil companies. I accessed various oil companies' yearly reports and documents concerning their operational techniques, such as, BP's yearly production report for operations in Alaska. I also examined governmental regulations and NGO reports pertaining to oil development.

Furthermore, in 2017, I conducted seven interviews with individuals with close ties to Utqiagvik. While visiting Utqiagvik in April of that year, I made connections with some community members who then referred me to others in the community to interview. This technique is known as "snowball sampling," which uses contacts to develop new connections. This type of sampling was also characteristic of the interviews I conducted during The World Eskimo-Indian Olympic Games (WEIO), which took place at Carlson Center in Fairbanks in July 2017.



Figure 3. One Foot High Kick at WEIO, July 22<sup>nd</sup>, 2017, taken by author.

The games attract sporting contestants and dance teams from Utqiagvik, Unalakleet, Tanana, Fort Yukon, Noorvik, Nome, and elsewhere.<sup>23</sup> Most of the Utqiagvik representatives whom I interviewed at the games were sporting participants, in the dancing groups or members of the audience. The respondents, all adults and all participating in the research voluntarily, represented a cross section of ages, genders, and occupations and were either residents of Utqiagvik or individuals with ties to the community. Most of the interviewees were born and raised in Utqiagvik even if they now reside elsewhere, and all of them have some knowledge of the oil activities and economic conditions of the area. This sample does not represent all professions, nor does it account for all community perspectives. All of the interviews were recorded on a Samsung Smartphone and transcribed into Microsoft Word files, both passwords protected.

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<sup>23</sup> “World Eskimo-Indian Olympics Official Guide,” *Coast Magazine*, accessed July 23, 2017, <https://www.weio.org/>.

Table 1. List of Interviewees

No.	Interviewees	Date of Interview	Brief Description
1	Interviewee A	7/12/17	Age 72, born and raised in Utqiagvik, now lives in Fairbanks, was a guide for oil companies
2	Interviewee B	7/18/17	Age 23, born and raised in Utqiagvik. Continues to live in Utqiagvik. Miss WEIO, college graduate. <i>Miss WEIO is the public face of WEIO and represents the Native culture and traditions (WEIO magazine, 2017). During the event, Miss WEIO furthers the preservation of Native culture by demonstrating Native skills, arts and dances (WEIO magazine, 2017).</i>
3	Interviewee C	7/20/17	Age 47, born and raised in Utqiagvik, now lives in Anchorage. Works for the village and regional ANCSA corporations for the North Slope, used to work for the Alaska's Whaling Commission
4	Interviewee D	7/20/17	Age 23, born in Juneau, has lived in Utqiagvik for 8 years. Recruiter and readiness coordinator at Ilisagvik College
5	Interviewee F	7/20/17	Age 52, has lived in Utqiagvik his whole life. Whaling captain and a firefighter for more than 30 years
6	Interviewee G	7/20/17	Age 49, born and raised in Anchorage, continues to live in Anchorage. Has family in Utqiagvik and visits them every 2 years. Was oil company employee, artist
7	Interviewee H	7/21/17	Age 21, born and raised in Utqiagvik, now lives in Fairbanks, UAF college student



After defining CSR for the interviewees (they were aware of CSR activities but not the term used to describe them), I explained my research to interviewees. I suggested that oil companies' CSR activities are of great importance to the future environmental, economic and community development of Utqiagvik and, crucially, that the communities' observations, reflections and concerns were paramount to ensuring the type and success of such activities. I assured the interviewees that they could skip any questions they preferred not to answer, and that they could terminate the interview at any time. The interview questions, all focusing on personal opinions regarding oil companies' CSR activities did not ask respondents about their personal lives. No questions called into question or violated the rights of women, children or any other minorities. Therefore, the process posed no obvious risk of psychological or physical harm.

Throughout the interview process, I remained sensitive to respondents who might have found the topic controversial and who might have expressed some anxiety regarding my questions. I am appreciative of the fact that far from voicing concern at the topic and the line of questioning, the interviewees said that they enjoyed and appreciated being part of a project where they were able to express their views, and that these views may contribute to more appropriate and effective CSR activities within their community and environment.

The interview protocol comprised both semi-structured and open-ended questions that sought to uncover and explore their thoughts on BP's CSR activities. The questions were as follows:



1) Based on your personal experience and from what you have observed, what activities does BP undertake to protect the local environment? (For example, clear oil spills, safety operation procedures, sending specialists or experts, etc.);

2) Do you think what BP does benefits the local people and successfully protects local environment?

3) What are your concerns about BP's operational procedures or its exploration activities regarding your personal life and the well-being of the community in the future?

4) Do people from the community have a good understanding of what is going on regarding oil development?

5) Do you have any opinions regarding oil companies' community engagement activities, such as hold community meetings, providing services, etc.?

6) What are your suggestions for oil companies' CSR activities in the future?

These questions revealed participants' interests, reflections and concerns regarding BP and its CSR activities such as environmental protection, research, and community engagement.

#### 1.4.1 Data Analysis and Interpretation

After transcribing all the interviews, I collected the data by theme, including interviewees' personal experiences, their opinions on oil development, and their reflections on CSR activities. I then identified sub-categories within these themes. For example, the interviewee's reflections

on CSR activities can be divided into reflections on oil companies' environmental performances, community engagement activities, and development strategies. My chosen method for analyzing the interview data is known as "hand coding." I reviewed all the transcripts and assigned codes to comments correlating with the various themes or categories I identified. All the data obtained in the interviews contributed to my analyses, conclusions and recommendations.

### 1.5 Summary of Chapters

Chapter Two reviews CSR activities as examined in the literature. Current literature reveals that increasing numbers of firms are engaging in CSR activities. By reviewing CSR activities across industries, I consider the relationship between a firm's profit and its social, economic and environmental performance. The literature illuminates several reasons why some CSR activities succeed, and others fail. CSR activities tend to be profit driven or responses to pressure from governments and society. It is also apparent from the literature that some firms utilize CSR activities as an interested and genuine approach to contributing to the local communities and environment where they operate, while for other firms' CSR activities are actualized or promoted only to the point that they buy residents' trust and ease their own operations. This has been described as "window dressing." This chapter also analyzes the major debates concerning CSR activities across industries and considers the implications and impacts of oil companies' CSR activities.

In Chapter Three, I discuss the history and context of oil development on Alaska's North Slope. The oil and gas development in Utqiagvik are strongly linked to the current oil market

and the quantity of remaining global energy reserves. Understanding the influence of world markets and the “resource curse” in Alaska is crucial to analyzing CSR dynamics in the region. I also examine the impact of oil development in the community of Wainwright, Alaska. Wainwright has been greatly affected, both positively and negatively, by the oil industry for many years. Wainwright’s experience can provide comparative perspective on the case study of Utqiagvik.

Chapter Four presents analysis of the interview data. From the data, four central themes emerge. These include the interviewees’ desire for 1) better environmental performance, 2) improved sharing of information within the community, 3) commitment to the community, and 4) better relationships with employees. It appears that these four themes reflect the limitations in BP’s CSR activities and strengthen my argument for local people being able to define for themselves what CSR activities should be undertaken.

Chapter Five, the conclusion, summarizes the thesis and highlights the central findings. It draws upon Utqiagvik’s circumstances to make general policy recommendations to all oil companies to examine and address the limitations of their presently defined CSR obligations among the communities of the North Slope region of Alaska. These include, 1) conducting more research, improving safety standards and risk-management approaches, 2) informing people of oil activities and their potential impacts by improving communication such as broadcasting information sessions on the local radio stations, and holding more organized community meetings to ascertain the self-determined interests of local communities impacted by the oil extraction industry, 3) demonstrating long-term commitment to local communities, 4) demonstrating greater commitment to hiring residents and to treating them equitably and 5) democratizing CSR.

## Chapter 2 Literature Review

This chapter reviews CSR activities as examined in the literature. In the first part, I found that research on oil companies' CSR activities outside of Alaska under-represents non-business actor's perspectives, such as those of local community members. This thesis aims to fill this gap by examining oil companies' CSR activities in Utqiagvik and stressing the importance of understanding local perspectives of CSR activities. The second part reviews the reasons that firms engage in CSR activities, thus provides discussion on the concepts of CSR. This section finds that much of the existing literature focuses on the perspectives of firms engaging in CSR. Thus, my research is important as it relates principally to local reactions to CSR. The third section narrows in on the limitations of CSR activities in the extractive industry and answer the question: why CSR activities sometimes fail to achieve their purported goals. The first reason is CSR can fail when it is used as mere "window-dressing." Secondly, micro-level CSR fails to adequately address macro-level problems. I argue that CSR can fail when it does not reflect local people's interests. These discussions delve into the theory and concept of CSR as a tool to contribute to social, environmental and economic development. This chapter shows the uniqueness of my argument of discussing CSR from the community's perspective instead of the firm's perspective. This chapter thus considers the existing limitations and potential of CSR and supports the interview data analysis.

Previous research has analyzed perspectives from communities in the North Slope region of Alaska on the impacts of extractive industries, but not local perceptions of Corporate Social Responsibility (CSR). Research on oil companies' CSR activities elsewhere under-represents

non-business actors' perspectives, such as those of local community members'.<sup>1</sup> In their paper, Kelman and Loe conducted 18 interviews of Hammerfest's residents; they claim that their research was the first to examine local perceptions of the petroleum industry's CSR activities in the Hammerfest area of the Norwegian Arctic.<sup>2</sup> Kelman and Loe examine residents' views regarding what petroleum development has brought for them and what they expect from the petroleum companies, and they discuss the responsibilities that they believe petroleum companies should shoulder on behalf of society and the environment. Their interviews demonstrate that the local population is focused on job creation and economic ripple effects, both decisive in making the community an attractive place to live and work. Thus, petroleum companies' responsibilities are to contribute actively to employment.<sup>3</sup> Kelman and Loe's research is part of a broader, comparative case study, "Local Perceptions of Corporate Social Responsibility for Arctic Petroleum in the Barents Region," in which they conduct interviews with a view to comparing local perceptions of CSR in Hammerfest, Murmansk, the Nenets Autonomous Okrug (NAO) and the Komi Republic. Interviewees included local populations, regional and local authorities, non-governmental organizations (NGOs), and oil industry representatives. The broader comparative case study has explored local, especially non-business, perspectives on petroleum development in the Arctic. Interviews show that opinions of CSR varied substantially across and within the case studies and suggest that "those who gain

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<sup>1</sup> Ilan Kelman et al., "Local Perceptions of Corporate Social Responsibility for Arctic Petroleum in the Barents Region," *Arctic Review* 7, no. 2 (2016):154.

<sup>2</sup> Julia SP Loe and Ilan Kelman, "Arctic Petroleum's Community Impacts: Local Perceptions from Hammerfest, Norway," *Energy Research & Social Science*, no. 16 (2016): 25-34.

<sup>3</sup> Loe and Kelman, *Arctic Petroleum's Community Impacts*, 25-34.

directly from the petroleum industry and do not directly experience negative impacts were more inclined to be positive about the industry,” which illustrates what the authors define in this article as the “insider-outsider lens.”<sup>4</sup> The term *insiders* refers to those who are close to both the petroleum industry and the accompanying CSR benefits, while *outsiders* refers to those who are far removed from the industry and the benefits. Some cases show that positive economic benefits resulted in greater tolerance of environmental risks. Differential access to information among communities and different levels of trust between people and oil companies cause the “insider-outsider” tension. This research reveals the importance of understanding local perspectives and shows that successful CSR practices require open-mindedness and willingness to engage in open dialogue with people who are directly affected, as well as those who are indirectly affected by oil activities.<sup>5</sup>

Other researchers, such as Henry, et al., and Loe et al., have also analyzed local perceptions on CSR activities in the Russian Arctic.<sup>6</sup> However, the scant literature on CSR in the Arctic highlights the need for increased research into corporation-community relations and community’s perspectives on extractive industries in the Arctic, especially in the North Slope region of Alaska. This thesis aims to fill this gap by examining oil companies’ CSR activities

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<sup>4</sup> Kelman et al., *Local Perceptions of Corporate Social Responsibility*, 152.

<sup>5</sup> Kelman et al., *Local Perceptions of Corporate Social Responsibility*, 152.

<sup>6</sup> Laura A. Henry et al., “Corporate Social Responsibility and the Oil Industry in the Russian Arctic: Global Norms and Neo-paternalism,” *Europe-Asia Studies* 68, no. 8 (2016): 1340-1368; Julia SP Loe et al., “Arctic Petroleum: Local CSR Perceptions in the Nenets Region of Russia,” *Social Responsibility Journal* 13, no. 2 (2017): 307-322.

on the North Slope and, in particular, to present local perspectives on CSR in the community of Utqiagvik.

## 2.1 The Scholarly Literature on Corporate Social Responsibility (CSR)

Most literature on CSR theory addresses a host of perennially debated issues, such as why firms increasingly engage in CSR activities, and whether CSR will bring firms benefits. Understanding these issues will help firms enhance their CSR activities and find their limitations. The following section shows that much of the existing literature focuses on the perspectives of firms engaging in CSR, specifically why firms engage in CSR activities. Thus, my research is important as it relates principally to local reactions to CSR.

### 2.1.1 Why firms increasingly engage in CSR activities

In their article “Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations,” Ruth, et al., argue that firms are increasingly engaging in CSR in response to social pressure to operate responsibly. Such social pressure has been, Ruth argues, animated by globalization, which has placed problems caused by firms’ operation-failures (such as human rights problems and pollutions) into a broader context.<sup>7</sup> Increasingly, the global population expects firms to play responsible roles in society.<sup>8</sup> Firms

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<sup>7</sup> Adam Lindgreen and Valérie Swaen, “Corporate Social Responsibility,” *International Journal of Management Reviews* 12, no. 1 (2010): 1-7.

<sup>8</sup> Ruth V. Aguilera et al., “Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations,” *Academy of Management Review* 32, no. 3 (2007): 836-863; Manuel Castelo Branco and Lúcia Lima Rodrigues, “Corporate Social Responsibility and Resource-based Perspectives,” *Journal of Business Ethics* 69, no. 2 (2006): 111-132.

experience internal and external pressure. Employees desire a comfortable working environment; they want to know whether the firm they work for is socially responsible, whether it has a good reputation, and whether it operates according to positive core values. Local communities want firms to not only extract from their land but to bring benefits to the community. Community members often require investments from firms to build infrastructure, and to create employment opportunities. Governments need to regulate large firms' behavior to gain social balance. Intergovernmental Organizations (IGOs) and Non-Governmental Organizations (NGOs) such as Greenpeace, advocate for firms to protect the environment and clean up pollution. All these actors have moral or practical motives to insist on social responsibility, and pressure firms to be socially responsible.<sup>9</sup>

Historically CSR activities emerged largely due to social pressure, but firms engage in CSR to gain benefits, as well. In their paper, "Corporate Social Responsibility and Resource-Based Perspectives," economists Manuel Castelo Branco and Lucia Lima Rodrigues argue that a firm can gain both internal and external benefits from engaging in CSR activities. Internal benefits relate to employees' well-being and their commitment and loyalty to the firm. A socially responsible firm may result in an increase in employee work satisfaction and, in this way, create a better working environment. Such a firm may also develop a good reputation and thus attract high-quality, well-educated employees who help the firm generate greater profits. Fulmer et al. and Ballou et al.'s studies use *Fortune*'s annual list of "The 100 Best Firms to

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<sup>9</sup> Aguilera, et al., *Putting the S Back in Corporate Social Responsibility*, 836-863.



Work for in America” as a proxy to suggest that workplace attitude can lead to a valuable intangible asset that contributes to the enhancement of firm’s financial performance.<sup>10</sup>

External benefits relate to a firm’s social standing. A good reputation resulting from engagement in CSR activities is important to multinational firms as they seek entry into new countries and contexts. With a positive reputation, firms can also attract more shareholders and stakeholders.<sup>11</sup> Branco and Rodrigues argue that: “intangible assets such as reputation and intangible resources such as high-quality employees could lead to a better financial performance of the firm.”<sup>12</sup> Following from this reasoning, engaging in CSR activities helps firms to build strong reputations and attract high quality employees, and therefore CSR can be considered as a strategic investment.<sup>13</sup>

Economists Ambec and Lanoie also argue that CSR can generate extra profits. In their paper, “Does it Pay to be Green?” they argue that while firms’ environmental performances can generate high costs, they also provide opportunities to increase revenues and to reduce other costs. Ambec and Lanoie use examples and cost-benefit analysis to support their arguments. First, they list multiple opportunities to increase revenues and reduce other costs. Opportunities for increasing revenues include firm’s better access to certain markets, product differentiation and selling pollution-control technologies. For instance, better environmental

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<sup>10</sup> Branco and Rodrigues, *Resource-based Perspectives*, 121.

<sup>11</sup> Branco and Rodrigues, *Resource-based Perspectives*, 111-132.

<sup>12</sup> Branco and Rodrigues, *Resource-based Perspectives*, 113.

<sup>13</sup> Branco and Rodrigues, *Resource-based Perspectives*, 111-132.

performance can lead to an increase in revenues through differentiation of the environmentally responsible firm's products from those of less responsible companies. A more positive environmental performance can lead to reductions in costs of materials, energy, capital and labor. Then, the authors compare these opportunities for increased revenues with the costs of responsible environmental performances. They conclude that the benefits, or opportunities for increased revenues, can partially or fully offset the costs.<sup>14</sup>

As Ambec and Lanoie argue: "even if green products or services are more expensive to produce, the extra cost can likely be transferred to consumers who are willing to pay more for more environmentally friendly products or services."<sup>15</sup> For example, the Swiss Chemical company Ciba Geigy created a new type of bioreactive dye, Cibacron LS. This new dye was more efficient in coloring textiles, therefore reducing the effort and expense in rinsing, and lowering firms' wastewater treatment costs. Consumers welcomed the new dye as it helped them reduce their environmental costs. Ambec and Lanoie argue that a better environmental performance can help firms improve product differentiation and trigger product innovation, thus enhancing the firm's reputation.<sup>16</sup>

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<sup>14</sup> Stefan Ambec and Paul Lanoie, "Does It Pay to Be Green? A Systematic Overview," *The Academy of Management Perspectives* 22, no. 4 (2008): 48-62.

<sup>15</sup> Ambec and Lanoie, *Does It Pay to Be Green*, 49-50.

<sup>16</sup> Ambec and Lanoie, *Does It Pay to Be Green*, 52.

## 2.2. Why CSR activities sometimes fail to achieve their purported goals

This section analyzes the limitations of CSR activities in the extractive industry. Identifying the limitations of CSR helps explain the question of why CSR activities sometimes fail to achieve their purported goals. Researchers have argued that CSR can fail when 1) it is used as mere “window-dressing;” and 2) the micro-level CSR activities fail to adequately address macro-level problems. Based on their argument, I argue that the model of CSR that is implemented fails when it does not reflect the perspectives and interests of local peoples who are directly impacted by, for instance, resource extraction.

### 2.2.1 CSR as a “window-dressing” tool

Abigail and Siegel stress that operating within a capitalist market, firms will always prioritize maximizing profits. Thus, they characterize CSR as a form of investment.<sup>17</sup> CSR can fail when firms do not take it seriously and use it as a “window-dressing” tool to placate consumers and stakeholders, especially when firms are under pressure from the public.

In her article, Leana Garipova argues that rather than integrate it as core value, firms can misuse CSR as a “marketing” tool. She points out that firms view CSR as optional, and it does not have the force of law behind it. She sees this as a problem as firms can misuse CSR to green wash their reputation or image.<sup>18</sup>

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<sup>17</sup> Abigail McWilliams and Donald Siegel, “Corporate Social Responsibility: A Theory of the Firm Perspective,” *Academy of Management Review* 26, no. 1 (2001): 117-127.

<sup>18</sup> Garipova Leana, “Corporate Social Responsibility in the Arctic,” *Geo. LJ* 104 (2015): 992.

Mishin also expresses concern about CSR being used as a tool to promote the corporate public image or for regulation-dodging purposes. He points out that large multinational companies have been blamed for using CSR as a “window-dressing” tool and for “greenwashing” purposes. Greenwashing is defined as companies using CSR deceptively to give the impression that damaging activities in the communities in which they operate are environmentally friendly. He argues that corporations are now playing key roles in defining CSR policies; therefore, they tend not to consider local people’s interests. He suggests that corporations need to participate more actively in CSR and contribute to social-wellbeing.<sup>19</sup>

Aluchna and Idowu argue that, although critics accuse corporations of using CSR as a “window-dressing” tool, it is not the real reason that CSR sometimes fails to achieve its goals. They argue that “practical adoption of CSR cannot be isolated from the company’s core strategy,” and companies need to reconcile the conflict between social and business goals.<sup>20</sup> Aguilera et al., stress that a “firm should behave ethically and economically responsively and should contribute to a better environment for its employees and their families and local communities and society.”<sup>21</sup>

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<sup>19</sup> Matvey Mishin, “Corporate Social Responsibility of British Petroleum in Azerbaijan,” *Lund University* (2013): 7-8.

<sup>20</sup> Maria Aluchna, and Samuel O. Idowu, “The Dynamics of Corporate Social Responsibility,” *Springer International Publishing* (2017):85.

<sup>21</sup> Aguilera et al., *Putting the S Back in Corporate Social Responsibility*, 115.

### 2.2.2 Macro-level CSR activities cannot address micro-level CSR activities

CSR comprises at least two levels, the micro- and macro-levels. Micro-level CSR relates to small-scale projects such as local community education and health projects, and small business development projects. Macro-level CSR is more concerned with social development, human rights and good governance<sup>22</sup> Oil companies' micro-level interventions can produce problems, for instance, because they do not address the macro-level effects of oil production, especially over-dependence on one non-renewable resource. Terry Lynn Karl defines this "resource curse" as "the inverse relationship between high natural resource dependence and economic growth rates,"<sup>23</sup> a phenomenon that often results in public sector corruption, and negative effects on other sectors of the economy. In his paper, "The False Developmental Promise of Corporate Social Responsibility: Evidence from Multinational Oil Companies," Jędrzej George Frynas argues that oil corporations' failure to integrate local initiatives into larger development plans limits the potential of CSR.<sup>24</sup>

In a similar vein, Emmanuel Odogwu provides suggestions for future CSR initiatives. Odogwu's paper examines the social problems associated with oil exploration and production and related environmental pollution problems in Nigeria. He provides suggestions for improving community relations, including raising mitigation payments to cover the cost of damages from oil drilling activities. He urges oil companies to develop their

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<sup>22</sup> Lars H. Gulbrandsen and Arild Moe, "BP in Azerbaijan: A Test Case of the Potential and Limits of the CSR Agenda?" *Third World Quarterly* 28, no. 4 (2007): 813-830.

<sup>23</sup> Terry Lynn Karl, "Understanding the Resource Curse," *Covering Oil: A Guide to Energy and Development* (2005): 23.

<sup>24</sup> Jędrzej George Frynas, "The False Developmental Promise of Corporate Social Responsibility: Evidence from Multinational Oil Companies." *International Affairs* 81, no. 3 (2005): 581-598.

environmental management capacities and to integrate their community assistance programs in ways that respond to communities' expressed priorities.<sup>25</sup>

Gulbrandsen and Moe identify an additional CSR-related challenge. Oil companies often only perceive a social responsibility towards one community, the "host community," which is located closest to their oil facilities. This causes dissatisfaction and jealousy amongst other communities in the vicinity, which can give rise to intercommunal conflict.<sup>26</sup>

In their paper, Gulbrandsen and Moe provide an example of successful combination of micro-level CSR and macro-level CSR. BP has engaged in CSR activities in Azerbaijan since 1997.<sup>27</sup> Azerbaijan has an abundance oil reserves but suffers from serious governmental corruption. At the micro-level, BP sponsored several community development programs during construction of the BTC (Baku-Tbilisi-Ceyhan) pipeline, which carries crude oil through Azerbaijan. The Community Investment Program included providing job opportunities for unemployed people from local communities. This program also provided funding for local communities to build infrastructure such as houses and clinics. Consequently, local people's quality of life improved. BP initiated another program, the Future Communities Program, aimed at teaching local community members' skills and means to manage their future development plans and projects. This program differs from the typical development programs in which oil companies provide funding to build schools for local communities. Instead, BP sent education specialists to Azerbaijan. Explaining this

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<sup>25</sup> Emmanuel C. Odogwu, "The Environment and Community Relations: The Shell Petroleum Development Co. of Nigeria Experience," In *SPE Health, Safety and Environment in Oil and Gas Exploration and Production Conference*. Society of Petroleum Engineers, 1991.

<sup>26</sup> Gulbrandsen and Moe, *BP in Azerbaijan*, 813-830.

<sup>27</sup> Gulbrandsen and Moe, *BP in Azerbaijan*, 813-830.

initiative, Gulbrandsen and Moe write, “the community is trained to work out a budget, write a proposal, a procedure plan, project implementation plan, and long-term management plan.”<sup>28</sup> This training process has changed community-building fundamentally, because local people had opportunities to learn and use what they have learned to work independently. In this way, if the oil industry leaves the community, people retain useful knowledge that can continue to improve their community into the future. This program helps local people build their communities in durable ways. The researchers note with approval that the program represents a “bottom-up” approach to community-level governance of Azerbaijan.<sup>29</sup>

BP’s macro-level CSR activities were also effective in achieving their goals. BP promoted social and economic development of Azerbaijan. BP has tried to contribute to local government development in the country by providing financial support and by helping elites make important decisions. BP has also built an effective managerial system within its company and provided benefits for its employees, some of whom are local Azerbaijanis.

### 2.3 Summary

The CSR literature reviewed suggests that, CSR can represent an effective tool for firms to satisfy social needs while making profits; and CSR activities can fail when they are used merely as “window-dressing” in marketing campaigns and when its micro-level activities do not address macro-level concerns. My review has also indicated that, too often, oil and gas companies fail to gauge local interests and perspectives, whereas this effort should be perceived as CSR’s *sine qua non*.

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<sup>28</sup> Gulbrandsen and Moe, *BP in Azerbaijan*, 813-830.

<sup>29</sup> Gulbrandsen and Moe, *BP in Azerbaijan*, 813-830.

Frynas argues that the oil and gas sector has been among the leading industries in championing CSR.<sup>30</sup> Increasingly, oil and gas companies implement CSR strategies, especially environmental and human rights policies, as the urgency of pollution and human rights concerns escalates amidst globalization. However, environmental efforts of the oil and gas sector currently fall short of delivering sustainable development to local communities. As a whole, they do not sufficiently implement environmentally friendly activities that contribute to community building.

CSR should address three problems: employment needs within communities, environmental harm caused by economic activity, and long-term community needs.<sup>31</sup> CSR remains an important theory for analyzing the environmental and social sustainability of economic activity, and the successes and failures of corporations in achieving such aims. This thesis contributes to the limited literature on CSR in the Arctic, by seeking the perspectives of Utqiagvik residents on BP's record of CSR in their community.

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<sup>30</sup> Frynas, *The False Developmental Promise of Corporate Social Responsibility*, 581-598.

<sup>31</sup> Frynas, *The False Developmental Promise of Corporate Social Responsibility*, 581-598.





## Chapter 3: The Background of Oil Development on Alaska's North Slope

### 3.1. Oil Market Development in the Arctic

The oil industry plays a significant role in the Arctic economy. It provides wages and tax revenue to local communities and substantial revenues to national and subnational governments. Other economic sectors in the Arctic include subsistence activities such as marine and terrestrial mammal and bird hunting, fishing, reindeer herding as well as tourism. These sectors are relatively small compared to the oil and gas industries whose policies and practices affect these smaller sectors and the wider economic environment.<sup>1</sup> Alaska's oil industry is highly influenced by the global oil market. In recent years falling oil prices have forced oil companies in the region to cut their investments in exploration and development. Royal Dutch Shell, for example, ceased offshore oil exploration in Alaska in 2015.<sup>2</sup> The withdrawal raised questions concerning the effectiveness of oil companies' activities in Alaska and especially CSR activities related to investment strategy and environmental protection. This chapter considers the direction of current and future oil development and the place and nature of CSR initiatives within such developments, which contributes to the thesis in exploring the limits of CSR activities.

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<sup>1</sup> Joan Nyman Larsen and Lee Huskey, "The Arctic Economy in A Global Context," In *The New Arctic*, Springer, Cham (2015):159-174.

<sup>2</sup> Karolin Schaps, "Royal Dutch Shell Pulls Plug on Arctic Exploration," *Reuters*, last modified September 27, 2015, <https://www.reuters.com/article/us-shell-alaska/royal-dutch-shell-pulls-plug-on-arctic-exploration-idUSKCN0RS0EX20150928>.

### 3.2 The “Resource Curse” in Alaska

As Alaska historian Terrance Cole so aptly noted in “Blinded by Riches,” -

“The road is long, supplies are costly, seasons are short, and fortune is fickle.”

In his monograph, Cole illustrates the challenges Alaska has faced in its economic development for more than a century. The economic history of Alaska is closely tied to energy development, especially exploration of and extraction from the vast oil and gas reservoirs of the North Slope region. These non-renewable natural resources have presented many opportunities and challenges to Alaska.<sup>3</sup>

According to political scientist Michael Ross, since the 1970s, countries with abundant natural resources have experienced more economic crisis and political challenges compared to countries with far fewer resources. Countries such as Nigeria and Saudi Arabia with abundant natural resources have often been politically less democratic thus facing high levels of political instability and are less economically developed. This over-dependence on a single non-renewable resource is termed the “resource curse.”<sup>4</sup> Alaska has experienced tremendous and far-reaching economic and political shifts since oil was discovered in the 1920s. The forecasts of economically recoverable oil and gas additions from Alaska’s North Slope, including reserves growth in known fields, is 35 to 36 billion barrels of crude oil and almost 137 trillion

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<sup>3</sup> Terrence M. Cole, “Blinded by Riches: The Permanent Funding Problem and the Prudhoe Bay Effect,” *Institute of Social and Economic Research, University of Alaska Anchorage* (2004). Quotation on 1.

<sup>4</sup> Michael L. Ross, “The Political Economy of the Resource Curse,” *World politics* 51, no. 2 (1999): 297-322.

cubic feet of natural gas, for the complete study interval from 2005 to 2050.<sup>5</sup> The Prudhoe Bay oil field was discovered in 1968, the development of which changed the lives of not just local communities but also, more broadly, the state of Alaska. The Prudhoe Bay reserve is the largest single deposit of crude oil ever found in North America. The petroleum industry supports one-third of all Alaska jobs, generating 110,000 jobs throughout the state. According to the Alaska Oil and Gas Association, since the completion of the Trans-Alaska Oil Pipeline, petroleum revenues have averaged over 85 percent of the state's total annual revenues. The state has collected \$157 billion (in today's dollars) from oil since 1959. In 1995, 90 percent of the state's revenue came from the oil and gas industry.<sup>6</sup> In the state's 2013 fiscal year, oil and gas revenues represented 92 percent of state revenue.<sup>7</sup> In 2017, at low oil prices, oil and gas production generated 67 percent of state revenues, a drop that dramatically illustrates the state's dependence on high oil prices.<sup>8</sup> The development of oil on the North Slope and in Prudhoe Bay brought substantial tax revenues for coastal villages such as Utqiagvik. At the same time, oil development precipitated some serious and far-reaching side effects. For example, the building of the Trans-Alaska Pipeline System (TAPS) resulted in a marked decrease in the

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<sup>5</sup> "Alaska North Slope Oil and Gas, A Promising Future or an Area in Decline?" *National Energy Technology Laboratory*, last modified August 2007, <https://www.netl.doe.gov/File%20Library/Research/Oil-Gas/ANSFullReportFinalAugust2007.pdf>.

<sup>6</sup> Norman A. Chance and Elena N. Andreeva, "Sustainability, Equity, and Natural Resource Development in Northwest Siberia and Arctic Alaska," *Human Ecology* 23, no. 2 (1995): 217-240.

<sup>7</sup> "State Revenue," *Alaska Oil and Gas Association*, accessed June 23, 2018, <https://www.aoga.org/facts-and-figures/state-revenue>.

<sup>8</sup> "Alaska's Oil and Gas Industry," *Resource Development Council*, accessed June 23, 2018, <https://www.akrdc.org/oil-and-gas>.

caribou population whose migratory routes crossed the path of the pipeline at some points.<sup>9</sup> With the oil prices having fallen below \$30 per barrel in recent years, after having been at over \$100 a barrel, the State of Alaska has had to cut its budget significantly and draw heavily from its savings to fund state programs and services. Oil production has fallen sharply therefore generates far less revenues. According to the U.S. Energy Information Administration, oil production has fallen by nearly 75 percent from its peak in 1987 and is expected to continue dropping.<sup>10</sup> Alaska has suffered from the “resource curse” with its extreme dependence on oil and gas resources, and the price of over which it has no control.

A number of scholars, within their research, have focused on different aspects of oil development in Alaska. Chance and Andreeva, for example, have suggested that Alaska has suffered from the “resource curse” and that the path to a cure is a long way away. Cole’s monograph also posits that Alaska experienced the curse, but notes that the government of Alaska has also partially protected Alaska residents through the establishment of the Permanent Fund and through distributing dividends (PFDs) from that savings account each year.<sup>11</sup> In a 1982 study Kruse, Kleinfeld, and Travis found that residents of the North Slope Borough did not suffer from the “resource curse,” because the local government captured and distributed benefits broadly to local residents. They also found that oil development did not directly

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<sup>9</sup> Samuel Z. Klausner and Edwards F. Foulks, “Eskimo Capitalists: Oil, Politics, and Alcohol,” *Allanheld Osmun*, 1982.

<sup>10</sup> “Petroleum and Other Liquids- Alaska Field Production of Crude Oil,” *U.S. Energy Information Administration*, accessed June 24, 2018, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=mcrfpak2&f=m>; Justin Blum, “Alaska Oil Field’s Falling Production Reflects U.S. Trend,” *Washington Post*, last modified June 7, 2005, <http://www.washingtonpost.com/wp-dyn/content/article/2005/06/06/AR2005060601742.html?noredirect=on>.

<sup>11</sup> Cole, *Blinded by Riches*, 2-41.

negatively affect traditional lifeways, as it was significantly removed from most communities, and the Native people continued to practice their subsistence activities.<sup>12</sup>

Chance and Andreeva argue, based on comparison of oil industries in Alaska and the Yamal Peninsula, that Alaska has suffered from the “resource curse.” Northwest Siberia produces 78 percent of the Russia’s oil and 84 percent of its natural gas. The Yamal Peninsula in northwest Siberia is home to a substantial Native population. The local population has long been influenced by state political conditions and energy development. Alaska resembles the Yamal Peninsula given its similar geographic remoteness, plentiful oil reserves and Indigenous population.<sup>13</sup> According to Chance and Andreeva, oil development raises questions regarding sustainability, equity and human rights. The Yamal Peninsula has abundant non-renewable resources and a non-diversified economy. Thus, its policy is extremely dependent on the development and sale of oil and gas reserves, which the government cannot control.<sup>14</sup>

The Yamal Peninsula has been through political instability and economic change with the discovery of natural gas. Beginning in the early 1930s, Stalin changed the land policy of the Yamal Peninsula. Shared farms were introduced which forced the Nenets and Khanty people to give up their subsistence lifestyle of hunting and fishing to become farmers. During the Soviet era, the establishment of sustainable fishing industries stabilized the economy. The Indigenous population generally was satisfied with the government, as government supported

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<sup>12</sup> John A. Kruse, Judith Kleinfeld and Robert Travis, “Energy Development on Alaska's North Slope: Effects on the Inupiat Population,” *Human Organization* (1982): 97-106.

<sup>13</sup> Chance and Andreeva, *Sustainability, Equity, and Natural Resource Development*, 217-240.

<sup>14</sup> Chance and Andreeva, *Sustainability, Equity, and Natural Resource Development*, 217-220.

their children's education by building boarding schools and providing financial support to students. In the early 1980s, the petroleum industry expanded with the discovery of major gas fields such as Bovanenkowo. The potential of this gas field attracted non-natives to move to the Yamal Peninsula. Thus, the Native people became a minority in their homeland. At this time, a new law was passed indicating that the Indigenous population were excluded from participation in the Yamal-Nenets Okrug administration decision-making process. The Indigenous population also suffered from devastating impacts of petroleum development. Pollutants seriously contaminated the waters, which disturbed commercial and subsistence fishing pursuits. Thus, Indigenous people began to protest petroleum development. Alaska also underwent a dramatic series of changes with oil development. Reliance on oil development contributed to declining subsistence activities and the loss of traditional values. The experience of the Yamal Peninsula illuminates the ways abundant natural resources can cause political instability.<sup>15</sup>

Cole's "Blinded by Riches" illustrates that Alaska has suffered from the "resource curse," wrought by the discovery of oil. Cole focuses on several questions, such as who should pay to develop oil and who should receive the benefits of oil development. Alaska's economy has long experienced a fiscal gap even after statehood in 1959. The state's economic problems include high-state spending per capita and no general state-wide taxes since the early 1980s when the state legislature rescinded the state income tax owing to high oil revenues. Oil development has created government and public over-dependence on the revenues of an

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<sup>15</sup> Chance and Andreeva, *Sustainability, Equity, and Natural Resource Development*, 225-228.

unstable non-renewable natural resource. The state has not successfully transformed its economy into a diversified self-sustaining regional economy.<sup>16</sup> In this way, Alaska has suffered from the “resource curse.” Cole argues that a government’s political and economic decisions made after the discovery of oil greatly affect the future development of a state or region, and the government plays a leading role in the allocation of oil revenues. He suggests that the government of Alaska has partially addressed the “resource curse” by setting aside a portion of the state’s oil revenues for future generations in 1976. This savings account is called the Permanent Fund, from which the state distributes dividends (Permanent Fund Dividends-PFD’s) annually to every eligible Alaskan resident. The Permanent Fund represents a substantial savings account, and the dividends contribute to the stability of the economy by infusing it with cash each year and supporting low-income families.<sup>17</sup>

Yet some voices, such as those of Kruse, Kleinfeld, and Travis, have downplayed the “resource curse” in Alaska. Based on their interviews with Inupiat adults throughout the North Slope region in the early 1980s, the researchers argued, that the Prudhoe Bay oil development had not directly disturbed Inupiat lifeways.<sup>18</sup> Their interview data showed that the average income of the North Slope region increased with Prudhoe Bay oil development. Oil activities did not substantially alter the subsistence way of life. According to the interview data, Inupiat men experienced lay-offs positively; they appreciated seasonal work, so they could maintain

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<sup>16</sup> Cole, *Blinded by Riches*, 25-41.

<sup>17</sup> Cole, *Blinded by Riches*, 25-41.

<sup>18</sup> Kruse, Kleinfeld and Travis, *Energy Development on Alaska's North Slope*, 98.



seasonal subsistence activities. The subsistence life such as whaling, fishing, hunting caribou and gathering berries remained significant to their lifeways.<sup>19</sup> By emphasizing the exceptionality of Alaska, Kruse, Kleinfeld, and Travis argued that the state had not experienced the “resource curse.” They argued that the Prudhoe Bay oil activities were located far enough away from the North Slope community to avoid influencing traditional Inupiat lifeways directly. They also pointed out that the North Slope Borough and the Arctic Slope Regional Corporation collect tax revenues from the oil companies, which benefits the local population. They noted that significant income disparities had not developed among the Inupiat, because wages and other benefits of oil development had been distributed broadly.<sup>20</sup>

While these scholars have debated whether Alaska has experienced the “resource curse,” I would argue that Alaska will continue to face social and economic challenges in its future development, as a non-renewable natural resource, oil, will either run out or be too expensive to harvest in the future. Furthermore, recently, oil prices have fluctuated significantly. Heavily dependent on oil revenue, Alaska’s economy is vulnerable to dramatic changes in world oil prices. Therefore, the state government needs to work to diversify its economy.

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<sup>19</sup> Kruse, Kleinfeld and Travis, *Energy Development on Alaska's North Slope*, 101.

<sup>20</sup> Kruse, Kleinfeld and Travis, *Energy Development on Alaska's North Slope*, 104-105.

### 3.3 The Effects of Oil and Gas Development in Alaska, using Wainwright as An Example



Figure 4: The Community of Wainwright. Derives from: [https://en.wikipedia.org/wiki/Wainwright,\\_Alaska](https://en.wikipedia.org/wiki/Wainwright,_Alaska).

Wainwright (Figure 5) lies in northwest Alaska on the shores of the Chukchi Sea. It has an Arctic climate, and snow covers the land most of the year.<sup>21</sup> It is the third largest city in the North Slope region of Alaska with a population around 556, the majority of whom are Alaska Natives.<sup>22</sup> Many residents of Wainwright rely heavily on a subsistence way of living, including hunting and fishing.<sup>23</sup> Because the Wainwright area has abundant oil and gas reserves, residents are highly dependent on these industries. The increasing offshore oil exploration activities in Chukchi Sea area raise the prospect of increased employment opportunities and

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<sup>21</sup> “Wainwright City, Alaska,” *Profile of General Population and Housing Characteristics: 2010 Demographic Profile Data*, United States Census Bureau, last modified January 23, 2013, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

<sup>22</sup> “Wainwright City, Alaska.”

<sup>23</sup> Ben Anderson, “Wainwright: An Arctic Village on the Verge of Development,” *Anchorage Daily News*, last modified September 27, 2016, <https://www.adn.com/arctic/article/wainwright-arctic-village-verge-development/2011/07/06/>.

government revenues, as well as potentially threatening subsistence resources and traditional lifeways.<sup>24</sup>

Oil Companies such as Shell Oil have been operating at Wainwright. Oil development has brought government revenue to Wainwright. At the same time, oil development has offered increased employment opportunities for the locals that resulted in increased personal incomes. The North Slope Borough collects tax revenues from oil companies that it has used to benefit local communities. Oil companies have also contributed to a higher standard of living within North Slope communities by establishing facilities such as schools and clinics.<sup>25</sup>

Oil development has had a strong impact on Indigenous peoples' subsistence way of living by, for example, influencing their hunting patterns and their traditional diet.<sup>26</sup> According to the Alaska Federation of Natives, "subsistence is a way of life in rural Alaska that is vital to the preservation of communities, tribal cultures, and economies. Subsistence resources have great nutritional, economic, cultural and spiritual importance in the lives of rural Alaskans."<sup>27</sup> An Inuit Circumpolar Conference (ICC) position paper also emphasizes the significance of

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<sup>24</sup> Anderson, *Wainwright*.

<sup>25</sup> Kruse, Kleinfeld and Travis, *Energy Development on Alaska's North Slope*, 100.

<sup>26</sup> Stephen R. Braund and Associates, "Impacts and Benefits of Oil and Gas Development to Barrow, Nuiqsut, Wainwright, and Atkasuk Harvesters," prepared for the North Slope Borough Department of Wildlife Management, July 2009.

<sup>27</sup> "Northeast NPR—A Final Integrated Activity Plan/Final Environmental Impact Statement," *Bureau of Land Management*, accessed October 27, 2017, [https://www.blm.gov/eis/AK/alpine/drafteisdoc/dspeisdoc\\_files/volume1/sect\\_1.0.pdf](https://www.blm.gov/eis/AK/alpine/drafteisdoc/dspeisdoc_files/volume1/sect_1.0.pdf).

subsistence: “northern development must refer to more than economic growth. It must allow for and facilitate spiritual, social and cultural development.”<sup>28</sup>

As increasing oil and gas development activities take place, Wainwright’s subsistence way of living has been negatively impacted.<sup>29</sup> The changing lifeways represents an opportunity cost of wage labor employment. Generally, Alaska Natives, like other Alaskans, want good employment opportunities that allow them to enjoy a standard of living to which they have become accustomed, one that includes use of products they want to purchase, including foods and clothing as well as heating oil for their homes and other utilities. Snow machines, four-wheelers, and guns and ammunition used in hunting also must be purchased. Most Inupiat want these wage labor opportunities. But such economic activity can negatively impact the subsistence lifeways that Inupiat continue to value. CSR can serve to safeguard the traditional value with responsible measures.

Wainwright hunters have reported personal experiences of the displacement of caribou and marine mammals. Noise from exploration activities, such as seismic testing, may severely disrupt the migratory routes of caribou and sea mammals, such as whales and seals. Local hunters must travel longer distances if migration routes are disrupted and this results in greater expenses. According to an active harvester from Wainwright,

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<sup>28</sup> “Principles and Elements for a Comprehensive Arctic Policy,” *Centre for Northern Studies and Research, McGill University*, (1992):31-32.

<sup>29</sup> Braund and Associates, *Impacts and Benefits of Oil and Gas Development*, 18-19.

Most of the people who can hunt have to work. If the hunting is 50 miles out, I will not go. Even if there is an agreement between the workers and the employers. If the animals are too far out, people will not go. They have to worry about the job that puts food on the table” (interview by SRB&A, 2007, as cited in Braund and Associates, 2009).

Because of these disruptions to wildlife, it is possible that hunters may slowly decrease their hunting activities which would lead to a loss of subsistence skills.<sup>30</sup> Moreover, the cessation of such communal, cultural activities would have broad and deep negative impacts on community health and well-being.

Residents of Wainwright also fear potential oil spills and the consequences of inadequate cleanups. They already suffer from pollutants generated by oil and gas development such as waste oil. Air pollution threatens people’s health, as well.<sup>31</sup> According to the initial results of the first Health Impact Assessment (HIA) undertaken for oil and gas development on Alaska’s North Slope, communities are facing increased exposure to organic pollutants. HIA also reports increasing instances among the North Slope Inupiat people of diabetes and related metabolic conditions. It is thought that this has resulted from fossil fuel development affecting the pursuit and availability of subsistence food resources, such as caribou and sea mammals.<sup>32</sup> Oil

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<sup>30</sup> Braund and Associates, *Impacts and Benefits of Oil and Gas Development*, iii.

<sup>31</sup> Braund and Associates, *Impacts and Benefits of Oil and Gas Development*, 55; Aaron Wernham, “Inupiat Health and Proposed Alaskan Oil Development: Results of the First Integrated Health Impact Assessment/Environmental Impact Statement for Proposed Oil Development on Alaska’s North Slope,” *EcoHealth* 4, no. 4 (2007): 507-508.

<sup>32</sup> Wernham, *Inupiat Health and Proposed Alaskan Oil Development*, 510.

development also has contributed to social problems, such as an increased reliance on unhealthy store-bought food, and alcohol abuse, according to the HIA report.<sup>33</sup>

The Arctic climate is warming, resulting in decreasing sea ice and melting permafrost. Such changes pose both opportunities and challenges to oil and gas development. Melting sea lanes and potential drilling areas make oil and gas development and transportation more economically feasible. At the same time, extreme and unpredictable weather conditions make it more difficult for oil companies to operate safely and to make long term plans. The development, operations, and production costs are high due to the weather conditions, the landforms, and long transportation distances. Moreover, continued dependence on oil heating in Arctic communities is not only environmentally damaging, but exceedingly expensive. For example, in 2006, the government of Canada spent approximately \$4,400 (CAD) per inhabitant of Nunavut to supply fossil fuel-based energy services to its communities. Furthermore, the shift from onshore to offshore oil extraction has created contention within local communities and posed public relations challenges for oil companies, owing to the higher environmental risks in off-shore drilling. For example, environmental protection groups considered Shell Oil Company's exit from Alaska in the wake of intense public scrutiny a victory, but many local community members regretted the decision, because oil development would have brought badly needed employment opportunities and a stable income.<sup>34</sup>

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<sup>33</sup> Wernham, *Inupiat Health and Proposed Alaskan Oil Development*, 506.

<sup>34</sup> W. Rickerson et. al, "Renewable Energies for Remote Areas and Islands (REMOTE)," *International Energy Agency-Renewable Energy Technology Deployment (IEA-RETD)*, Paris, France (2012); Øistein Harsem, Arne Eide, and Knut Heen, "Factors Influencing Future Oil and Gas Prospects in the Arctic," *Energy policy* 39, no. 12 (2011): 8037-8045.

Climate change has increased global interest in oil exploration and development in the Arctic, raising hopes for employment opportunities and local and state government revenues. At the same time the prospect of increased oil development has raised concerns about the potential negative impacts to the environment and to subsistence species, which in turn would threaten the health and well-being of individuals and communities, as well as the vibrancy of the culture.<sup>35</sup> The concept of sustainable development seems increasingly elusive, as government elites, business owners and other state and local residents clamor for oil development. The possibility of the opening of the Arctic National Wildlife Refuge (ANWR) for exploration and development threatens not only Alaska's environment, but also that of the broader Arctic. Overall, Wainwright's experience of oil development provides comparative perspective on the case study of Utqiagvik.

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<sup>35</sup> Harsem, Eide, and Heen, *Future Oil and Gas Prospects in the Arctic*, 8040.

## Chapter 4 Interview Evidence and Analysis

In this chapter I analyze data collected from the seven interviews. Respondents were all adults with close ties to Utqiagvik who are aware of CSR activities but not of the term used to describe them. The interview transcripts reveal that respondents are pleased with the job opportunities and their dividends and the support the oil companies provide for education. But, respondents also show concerns regarding contamination brought by oil development and with oil companies' relationships with their communities.

The oil company discussed in this chapter is the British Petroleum (BP). BP is an international oil and gas company conducting exploration and production, as well as refining and marketing in more than eighty countries. BP is among the largest private-sector investors in Alaska. BP has operated in Alaska since 1959, generating enormous profits and making contributions to Alaska's communities state wide. At the same time, BP has contributed to Alaska's economic development, infrastructure building and community building.<sup>1</sup>

BP began its work in Alaska in 1959 and began drilling at Prudhoe Bay in 1968; in the mid-1970s, it helped build the Trans-Alaska Pipeline System. BP has been actively engaged in CSR activities, including support for research on climate change and the building of the BP Energy Center, which provides energy to more than 500 communities every year free of charge. They have supported researchers through universities, agencies and NGOs. BP has also invested in community education programs. For example, it has provided more than \$5 million to support educational programs in Alaska in one year. BP's Company Assessment shows its many community engagement initiatives in Alaska, including support for local

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<sup>1</sup> "BP in Alaska, 2015," *BP Exploration (Alaska), Alaska Press Office*, accessed December 12, 2017, [https://www.bp.com/en\\_us/bp-us/where-we-operate/bp-in-alaska.html](https://www.bp.com/en_us/bp-us/where-we-operate/bp-in-alaska.html).



hospitals and colleges. For example, BP has contributed \$300,000 to the American Red Cross to “develop and train a network of volunteers’ first responders in rural Alaskan communities.”<sup>2</sup>

Importantly, my research helps examine the adequacy and effectiveness of BP’s CSR activities from community perspectives, rather than only considering the reports that BP itself produces. The empirical data reflects how local people explain the ineffectiveness of CSR activities and the negative impacts of oil production. In particular, four central themes emerge from the interview data: interviewees desire 1) improved environmental responsibility, 2) more efficient sharing of information with the community, 3) greater commitment to the community, and 4) stronger relationships with employees, including the employment of locals. First, local people experience the local impacts of resource extraction activities, such as contamination, climate change, health concerns, oil spills and especially in Utqiagvik, disturbance of whaling activities. They demand improved environmental responsibility from oil companies. Second, local people have enough knowledge about their own land, culture and environment. They have the right to receive more information on oil development and to their desires and interests reflected in CSR activities. Third, CSR activities should reflect long term commitment to the community, given the dramatic social-economic and cultural changes that oil development has generated. Fourth, oil companies need to hire more local employees who have sufficient local knowledge of the land and environment. These four themes strengthen my argument for local people being able to define the nature of CSR activities undertaken by BP. Local people’s reflections on CSR activities in Utqiagvik thus provide a viable case study to test the limitations and potential

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<sup>2</sup> “BP in Alaska, 2015,” 4.

of CSR. This case study also provides insights for oil companies to maintain more responsible resource development in the future.

#### 4.1 Improved Environmental Responsibility

Interviewee A, 72 years old and a long-term resident of Utqiagvik, said that, “you could not have lived on the slope and not be impacted by the oil.” Oil development has affected residents’ lifeways in all respects. Interviewee B, a newly qualified nurse who was born and raised in Utqiagvik, said that the oil industry has affected her community both positively and negatively. On the one hand, the community has gained revenue, employment, and financial support for local businesses from the industry. On the other hand, oil development has threatened their lifeways.

Interviewees expressed that, the changing flora and fauna of the Arctic makes depending on environment even more tenuous for the locals. They expressed concerns of oil activities regarding contamination, whaling activities, health problems and oil spills. They concern about contamination of their lakes and their food sources. Moreover, they concern that oil activities in the ocean have been affecting the migratory routes of the whales. Alaska Clean Seas (ACS) is the North Slope-based oil spill response cooperative that serves BP. According to BP’s report, ACS is recognized as a world leader in Arctic land and marine oil spill response.<sup>3</sup> BP has also actively engaged in ecological research on the North Slope. But, my interviewees all questioned

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<sup>3</sup> “BP in Alaska, 2015,” 10-11.

CSR's ability and effectiveness in protecting their environment by preventing harms. CSR will be more effective if local people can be engaged in defining its components in Utqiagvik.

Interviewee A, who witnessed the initial stages of oil development on the North Slope, recalled how the oil industry damaged the local environment from early on after the discovery of oil in Prudhoe Bay. According to him, oil companies drove on their only fresh water lake and the lake then became contaminated over the years.

Interviewee E, 52, who was born and raised in Utqiagvik, worked as a whaling captain for more than 30 years, during which he experienced changing of marine environment on the ocean and ice in his daily life in Utqiagvik. Interviewee E worries about oil activities' disturbance of the Arctic marine environment and especially the well-being of sea mammals. He thinks that more oil activities will probably disturb sea mammals. As a whaling captain, he speaks of his own experience: the past several years, his team has to go much further to find the whales in the fall. For the community of Utqiagvik, whaling is a major component of their subsistence way of living. According to Interviewee E, there has been trouble with whaling activities in recent years,

So last year, we went 50 miles from my home, from Utqiagvik to the Arctic ocean and we didn't see anything, so that was odd, because a few years before that, I just put my boat in the water, we just start (teasing) hunting whales right there. So last year, we had to go a great distance to see any whales.

His experience and personal stories may show effects of global warming and oil development on whaling activities. He would like to see BP invest more effort in ensuring that its business activities do not threaten local residents' ability to harvest whales-a practice and food that are central to Inupiat lifeways. Interviewee D, born in Juneau, Alaska, has lived in Utqiagvik for 8 years. He expressed his concern that the current CSR agenda on research of whaling and other subsistence activities is insufficient. He believes research should encompass the community's subsistence way of living, not only whaling, but other hunting activities too.

Interviewee F, who was born and raised in Anchorage and has family in Utqiagvik, visits her family every two years. She was an employee for Petro Star Inc.<sup>4</sup> Interviewee F indicated, CSR plays a significant role in preventing harms from oil activities. She also demonstrated her concern of the health problems such as heart problems and diabetes that people in Alaska are experiencing now. She said that climate change affects traditional food sources and people are having health problems as they are not eating their traditional food. She worries about the harmful effects of pollution and contamination of the environment related to oil development, and how this pollution negatively impacts health. Interviewee F said, "people may think that it (oil) is just a business, but it is not. It (the Arctic) used to be pristine."

Interviewee E said that he worried about potential oil spills. He is afraid that there is no way of cleaning up spills should they occur. He also expressed concerns about the well-being of the Arctic ocean. "There's ice in the ocean, sea ice. There (is) no documentary for (cleaning

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<sup>4</sup> Petro Star Inc. is the only Alaska owned refining and fuel marketing operation in the state.

up oil spills), there's nothing that can clean oil out of ice. Especially with the currents out there, an oil spill in Arctic water would be catastrophic. And it could affect the whales, the seals and the fish." For him, the oil companies' first responsibilities towards the community of Utqiagvik is ensuring the protection of the Arctic environment no matter what kinds of activities are on their schedule. He said,

People all come after the profit. Environment is the number one thing that we must guard. Because my father and his father, and his father, they all subsist out of the ocean, we got to keep it at the same level they were able to subsistent. So, (when) an oil spill changed the history of that, we got to stop the oil spill. For the oil companies I would say, you leave how you found ocean, pristine.

Interviewee C, who was born and raised in Utqiagvik in the 1970s, now works for the village and the regional Alaska Native Claims Settlement Act (ANCSA) corporations for the North Slope in their Anchorage offices. She also expressed her concern at BP's limited capacity to clean up oil spills. She mentioned one concern regarding oil spills which is critical: cumulative effects. She said:

I've heard talks about cumulative impacts, and I think when one or two oil companies were coming on, nobody was really thinking about cumulative, and then they didn't really start to think about the series of impacts until oil spill happened.

The cumulative effects of oil spills, which refers to changes in local environment caused by actions in combination with other past, present and future actions, reinforce the urgency for the

oil companies to strength their spill and pollution prevention strategies.<sup>5</sup> Several respondents expressed concerns and uncertainty relating to offshore oil exploration. Interviewee C, who has worked for the oil companies and the Alaska's Whaling Commission has seen all the sides of oil development, and commented from her unique perspective that,

They (oil companies) need to have some kind of sustainable (development). Just keep them onshore. Like I said, no company has been able to prove that they can clean up oil spill. Ice infested water, if anything happens, especially with the way the ice moves, I just think it's safe to just stay onshore.

Thus, regarding the CSR of BP, people from the community of Utqiagvik want BP to be more environmentally responsive.

Overall, respondents showed their concerns over oil development and CSR activities in Utqiagvik. They expressed concern about potential oil spills and other contamination in relation to whaling activities and health problems. They know well what problems CSR should mitigate in their community, such as where to operate to avoid disturbing whale migration patterns, how to mitigate oil companies' traffic, how to reduce contamination, and how to prevent and clean up oil spills. They are especially concerned about harm to the environment and their health and culture, because of the ongoing threats of climate change, over which they have no control. CSR can thus be more effective, and BP can earn the trust of local residents if it addresses these concerns of local residents.

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<sup>5</sup> "Cumulative Effects Assessment Practitioners' Guide," *Canadian Environmental Assessment Agency*, accessed July 2, 2018, <http://www.ceea-acee.gc.ca>.

## 4.2 More Efficient Sharing of Information within the Community

BP's report does not specifically address sharing of information within the community.<sup>6</sup> The sharing of information within the community where oil companies and local communities work together includes discussing ongoing concerns and potential problems regarding oil development.<sup>7</sup> According to Snyder, the current practices with onshore development between BP and local communities is working very well:

The oil companies came in and just develop the good neighbor policy, a kind of rule of what they will do during the subsistence season, it works well so far.

She described that within community meetings, BP outlines a project or a schedule and informs any potential impacts. Anybody in the community is welcome to attend the meetings and review the projects. Community members are informed of who to contact if and when an emergency arises.

Interviewee D, however, emphasized that BP does not advertise these meetings well, so local people tend not to be informed.

Yeah, I think they can be informed whether people choose to or not. If there are sessions and things that are available, I think it's a really good opportunity for at least people to know. There needs to be a record of something that says there are all these opportunities to learn about what's going on have been available, so it's really knowing whether they

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<sup>6</sup> "BP in Alaska, 2015."

<sup>7</sup> Jędrzej George Frynas, "The False Developmental Promise of Corporate Social Responsibility: Evidence from Multinational Oil Companies." *International affairs* 81, no. 3 (2005): 581-598.

have them available to the communities And, also marketing it, people don't always know what is going on.

According to Interviewee D, BP holds community meetings only occasionally. People do not always know the timing of these meetings, as they do not always make efforts to find out. Also, there does not appear to be a clear record or schedule of the meetings or other opportunities for people to learn about oil activities. Interviewee D suggested that oil companies should create a more thorough and transparent system of community meetings, which include publicizing the learning sessions. When being asked about suggestions for oil companies' CSR, Interviewee D replied:

We are talking about promotions, just really going out showing or marketing what it is, being able to tell everybody, what's the good, what's the bad, and letting the community really have a survey or something like that, again, that's only to the people who show up, so that's only the people that find that important. So, it's tough (to) really go out and say hey this is what won't work, because we are not the professionals.

Interviewee D suggested that community members perceive the purpose of CSR to be "window-dressing" because it involves promotions like gifts. He also said that he thinks community perspectives have little influence because the person in power ultimately makes the decisions. He recommended that oil companies build a responsible leadership and have a sit-down meeting with other corporations and members of the borough assembly. During the meeting, the participants could discuss a pre-prepared list of questions, so the meeting would be efficient. Interviewee D also recommends a radio channel on oil development information. He said:



Maybe just having something where people can tune in over the radio, where they are able to submit questions ahead of time and then listen to the responses on the radio. It's a little harder to take all the questions when you haven't seen them right? So, they (the local people) are just trying to make something up on the spot, they are very bland, but if you (the oil companies) give them time to think about what they are wanting to know, then you will expect real answers and full answers. Just giving them something where they can sit down, like we said, or the radio or TV show.

Interviewee B emphasized that people need more information on oil development activities such as oil drilling. Local people would like to know where oil companies will drill, how deep they are going to drill and how they will clean the oil in such a timely manner, she said. Interviewee E also mentioned that he would like to learn more about oil companies' long-term development plans such as where else they are going to drill on the North Slope.

In summary, the interview data demonstrates that some people from Utqiagvik have concerns over oil development because of they feel insufficiently informed of oil activities. Interviewee D said that people worry about the unknown future of oil development. A robust CSR agenda and more effective communication with residents would ensure that more residents feel informed of the oil companies' activities and would improve the outcomes of CSR in the region.

#### 4.3 Greater Commitment to the Community

Interviewees said that BP supports the local community by providing employment opportunities, funding higher education and supporting local businesses. According to BP's report, BP is heavily invested in more than 800 community and education groups. BP also

supports workforce development programs.<sup>8</sup> At the same time, however, respondents said that oil development has changed residents' traditional values and subsistence activities. Thus, respondents desire oil companies' long-term commitment to the community. Interviewee A said that, when oil industry first came, it opened up many employment opportunities within the industry for the men of the community,

Before that you spend most of your time trying to survive, just living every day to day.

All of a sudden, they (the oil companies) start pumping oil and just dripping it into our homes and all the men were able to spend more time working for the oil companies.

Before the oil companies came, residents lived a mostly subsistence lifestyle. Oil development made their live much easier, as residents now work for oil companies and use their salary to buy food and clothing, as well as snow machines and guns for hunting. Because of the benefits, many residents wanted to work for the oil companies. Eventually, Utqiagvik developed more of a cash economy where residents received a paycheck every other Friday. The oil industry still provides jobs for the residents of Utqiagvik today. Given the shift to the wage economy within Utqiagvik, it is important to residents that BP remains committed to the community's economy, so that good employment opportunities continue.

Interviewee D, as a college recruiter, who focuses on work force development, sees many different job opportunities for the students. He noted the increased employment opportunities related to oil development:

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<sup>8</sup> "BP in Alaska, 2015," 4.

Especially from towns like Nuiqsut, they can't go subsistence lifestyle as much. But they depend on places like Alpine to go to work and really live off them.

In Interviewee D's opinion, people want these job opportunities, especially those who have children and grandchildren. As substantial amounts of money from oil company profits comes into the community, local people tend to ignore the negative effects of oil development right now. Interviewee D, however, expressed concern about the broader and longer-term impacts of oil development to the landscape and to the way of life:

On the negative side, you go back and say, what are they (the oil companies) actually doing to our land? What are they doing to our animals? So, this problem can never be settled until they either stop doing it (oil development), or they do it so much that cause a huge crisis.

Clearly local people are attracted by the employment opportunities and local government revenues. However, CSR activities could be contributing to community building and sustainability through long-term investments, not only providing local government and Native corporations with annual revenues and dividends but investing in supportive projects to strengthen and protect the community and culture in the long-term projects such as home-building and efforts such as environmental protection.

According to Interviewee A, earlier in the '70s, oil companies did very little in terms of meaningful or effective CSR:

Oil company's money was cheap. They were quick to pour money into stuff, but as far as being associated with Inupiat people, they were not that active. Oil companies would throw money at the community. People would get a case of oranges, a case of apples from

them (the oil companies). But they (the oil companies) were not really accepted as part of the community.

Community engagement does not only mean giving residents pay checks and a case of oranges. It includes understanding resident's real, long-term needs. The lack of engagement with local community affected oil companies' future development and their reputation. It caused them to lose support from residents.

Nowadays, oil companies are doing better at supporting the local community. According to Interviewee C, BP funds higher education because it is so expensive for students from the North Slope to go to college. BP provides financial assistance for students to go to college. Oil revenue allows the Arctic North Slope Borough to support K-12 education in the region. Interviewee B said that the community does benefit from oil development in the long run and noted that many community-based businesses are supported by oil companies.

While the community benefits from oil development, Interviewee A said that with the arrival of the cash economy, many men in Utqiagvik stopped hunting totally because of working for oil companies. With the salaries they receive, men can buy a boat or a snow machine (snowmobile). "Guys are still able to take a week off and go hunting, for them, go playing. I say go playing as we really don't need to hunt in the way we used to," Interviewee A said. Oil development has changed people's perception of their traditional way of living and has deeply entrenched a mixed economy in which people depend on wages but still participate in subsistence activities for nutritional, cultural, and recreational reasons.

Interviewee F expressed her concern over the loss of traditional values of the community. She said that these values have been affected a lot by the western culture and the "modern"

way of living brought to them by oil development. She told a story that illustrates the drain of traditional values among younger generations.

I was up there one year, and I was teaching the traditional values. There were seventeen high school students. After the dance performance in the auditorium, their trash was all over the ground, there was gum on the seats, a bite out of the cookies. So, we have a whole generation of kids who say why do I have to pick up my trash. I think the young generations are slowly losing their identity and tradition.

According to Interviewee F, with the rapidly growing oil businesses, the younger generations are not as involved in subsistence activities (such as fishing and hunting) as were previous generations. There has been less interest in these subsistence activities. “With hard work comes pride, and one of most important tradition is self-respect.” She said that young people now are struggling to find their positions in the community.

I see a lot in our younger generation that they don’t like themselves. They don’t know how to think, they like to stay at home. They don’t know how to use their imagination. I see the little kids go around here. One girl was doing beadwork. And I was really moved by this and I just have this in my mind that, oh, that is going to go away, you know. And I feel sad.

The tension between resource development and subsistence lifeways must be considered within oil companies’ CSR agenda. Overall, respondents’ desire enhanced community building from BP, which not only includes providing job opportunities and supporting education and local businesses but includes investment in the long-term sustainability and well-being of the community through community-building initiatives and through environmental protection.

#### 4.4 Stronger Relationships with Local Employees

According to BP's report, recruiting, training and hiring Alaskans remain its top priorities. BP also encourages its contractors to hire Alaskans.<sup>9</sup> But, according to this research, respondents still want the oil companies to hire more local employees. Interviewee A said that outside oil company employees have no knowledge of local conditions. They would benefit from hiring more locals with strong knowledge of local conditions.

They will come here by helicopters, with their questions and most questions are stupid. These people know nothing, so you try to explain our lifestyle and try to explain the country to them. Little simple things like, I can tell the difference between fresh water ice and salt water ice. But you just flew a guy from Texas on a helicopter he had no idea if he's looking at fresh water ice or from the ocean. So, you just teach them things, simple facts that made life easy to survive.

Interviewee F, who was an oil company employee for a long time, expressed concern about corruption within BP. According to her experience, oil companies do not hire enough Native employees. She said that oil companies must hire a certain percentage of Natives according to their operation procedures when they operate in local communities.

I remember in 1994, when I got out of the army, and first I started to work for my own Native corporation. There were still lawsuits because the oil companies still wouldn't hire natives. They still wouldn't follow the contracts.

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<sup>9</sup> "BP Alaska Hire, 2016," *BP Exploration (Alaska), Alaska Press Office*, accessed Aug 6, 2018, [https://www.bp.com/content/dam/bp-country/en\\_us/PDF/2017%20BP%20AK%20Hire\\_WEB\\_singles.pdf](https://www.bp.com/content/dam/bp-country/en_us/PDF/2017%20BP%20AK%20Hire_WEB_singles.pdf).

Interviewee F said: “many businesses said that they would change (and hire more Natives). But, if you look at their numbers, their hiring numbers, they don’t change.” Oil companies would benefit from hiring more Natives to obtain a better understanding of the land they are operating on, she said. Failing to hire more Natives not only affects the healthy development of the oil company itself, but also affects the operation of their projects.

Interviewee F has also worked for both the village and the regional Native corporations. In her opinion, Native corporations have close ties with oil companies. Native corporations have projects in oil field services, such as oil field clean up. According to Interviewee F, the close relationship between oil companies and Native corporations impacts local communities in ways that are not completely beneficial. When oil companies and Native corporations have shared profits, it is more likely that they want rapid economic development, regardless of local people’s real needs. Thus, meeting oil companies’ CSR includes commitment to local community needs, not merely building close relationship with local Native corporations or other businesses.

As Interviewee F indicated, positive impacts of oil development have been job opportunities and Native corporation dividends. Interviewee F has received regular dividends from the Arctic Slope Regional Corporation and she has secured oil development related employment. She said she is grateful, but at the same time, she is concerned about corruption within the oil companies. When she worked for Petro Star Inc., she started in a receptionist position and later worked her way into management. She received a bonus up to a thousand dollars every year as a manager. But, according to her, people in higher positions received far more than a thousand-dollar bonus.

They would buy planes and boats and cabins with their bonus, so you can imagine how much their bonuses are. I was just happy that I can spend the money at Costco. There's just such a difference.

Interviewee F's observation illustrates the need for oil companies to run transparent operation to avoid concerns about corruption. According to Swaen and Lindgreen, employee satisfaction with their benefits plays a key role in the efficiency of oil companies' CSR activities. Moreover, they argue that, to improve company morale and fulfill their CSR, companies should provide equal opportunities for all their employees.<sup>10</sup> Interviewee F has two Master's degrees and a law degree. But, she noticed that one of her bosses, a relative of the CEO, has no education, not even a high school diploma. "That person was paid 38 dollars an hour and I only made 16 dollars an hour as an office manager."

When asked for suggestions regarding oil companies CSR activities, she expressed her concern over oil development first.

We want our toys, we want our machines. We need the oil development. We can burn seal oil, but who wants to? Development has to happen, I like the way a lot of Native corporations word it, how they intertwine the values with development, sound development, by listening to the people, keeping it (the land) clean, making sure they (local people) are ready, but, just look around, how many oil spills have happened in the Arctic yet?

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<sup>10</sup> Adam Lindgreen and Valérie Swaen, "Corporate Social Responsibility," *International Journal of Management Reviews* 12, no. 1 (2010): 1-7.



She suggested that oil companies, Natives, and environmental scientists should all work together to protect the long-term sustainability and quality of life in the region. She said, “we don’t want corruption to grow, and we want the people to get real benefits.” She agrees that CSR activities could help the oil companies, their shareholders, and business partners such as Native corporations, and especially local people with a more sustainable and responsible oil development in Alaska.

Overall, the interview data demonstrates the main concerns from the community of Utqiagvik to reflect those represented in the published literature. Respondents appear to reflect the community’s strong support for and dependence on oil development economic activity. They appreciate the employment opportunities offered by BP and the many economic benefits local governments, Native corporations, and other businesses enjoy. Concerns surrounding CSR performance reflect oil companies’ need to improve their risk-management approaches, to more efficiently share information within the community, to commit to the community’s long-term sustainability and well-being, and to do better in hiring local employees and treating them equitably. Based on these concerns, the next chapter summarizes the results and presents recommendations to the oil companies regarding their future CSR development plans.

## Chapter 5 Conclusions

Relying upon data collected from qualitative interviews with local members of Utqiagvik, this thesis has argued that CSR measures related to oil industry extractive activities on the North Slope of Alaska ought to be dictated by local residents whose lives are impacted by that industry. In particular, I have sought to address 1) how the people of Utqiagvik have responded to the CSR activities, presently defined, of nearby oil companies; and 2) how and why CSR has sometimes failed to achieve its purported goals. Regarding the first question, respondents' reflections indicated that they were pleased with the job opportunities and their dividends and the financial support the oil companies have provided for education. But, they also demonstrated concerns regarding oil company's CSR activities in Utqiagvik. Some broad concerns among the residents I interviewed include: 1) risk management of potential environmental problems such as oil spills, 2) insufficient sharing of information regarding oil activities, oil impacts and community meetings, 3) BP's insufficient long-term commitment to the community and 4) BP's insufficient employment of locals, and inadequate attention to equity among employees. Regarding the second question, the analysis reflects that the current CSR activities have been insufficient in meeting local people's needs, in particular with regard to safeguarding the environment upon which the traditional culture and Indigenous lifeways depend. This may be partly because local people's voices have not been sufficiently sought out. The thesis' analysis has reinforced its argument: oil companies' activities, when overly determined by its profit motive, tend to restrict the potential of its CSR obligations. Further, the thesis has suggested that residents should be able to define for themselves relevant and appropriate CSR activities given that they experience the local impacts of the resource extraction industry.

## 5.1 Recommendations

This section draws upon Utqiagvik's circumstances and my respondents' perspectives to make general policy recommendations to all oil companies to examine and address the limitations of their presently defined CSR obligations among the communities of the North Slope region of Alaska.

First, oil companies need to conduct more research and improve safety standards and risk-management approaches. Oil companies must conduct more research on the local environment, including land conditions, marine environment, flora and fauna and on the effects of their own activities on the ecology of the region. The Arctic environment is vulnerable, especially considering the effects of rapid climate change, combined with the impacts of oil development activities. As Interviewee A indicated in Chapter Four, oil workers who live in other states have limited knowledge of the local conditions and ecology. As Interviewee A indicated, oil industries have damaged their tundra in Utqiagvik and Prudhoe Bay. Moreover, respondents raised concerns that offshore oil drilling has or could harm the environment and change whale migration patterns. Whaling is the most important subsistence activity in Utqiagvik. Thus, oil companies need to conduct more research on the impacts of their activities on the local environment to protect the environment and the local lifeways. Respondents were most in agreement in their perspective that oil companies must improve their risk-management approaches. Both the older generation and the younger generation fear contamination from oil development activities and oil spills. Oil companies should invest more to support research programs on developing risk-lowering and clean-up strategies. Oil companies need to adopt proactive approaches to prevent oil incidents. Moreover, they need to provide financial support and compensation to local communities once oil spills occur.

Second, oil companies need to inform people of oil activities and their potential impacts through improved communication such as broadcasting information sessions on the local radio stations and providing time for questions from locals, holding more organized community meetings, and conducting surveys among community members. As Interviewee D mentioned in Chapter four, a radio program could help spread information on oil activities. A radio program can serve as a tool for oil company to broadcast information. Oil company also need to improve both the quantity and quality of their information. High quality information may include current oil activities; oil development effects and time, location and aims of community meetings. Allowing questions to be submitted in writing in advance would expand the possibilities for raising concerns from the current community meetings. Moreover, as Interviewee C suggested, oil companies' leadership ought to participate in community meetings to promote greater transparency and encourage greater public participation. This improved communication could lead to more rich local knowledge influencing oil companies' CSR activities.

Third, oil companies need to demonstrate long-term commitment to local communities. BP activities have encouraged residents of Utqiagvik to turn from overwhelming reliance on subsistence activities, as they have accepted employment opportunities in the oil and gas sector. Having profited greatly from its operations in Utqiagvik, BP therefore should invest further in the long-term well-being of the community and in ensuring the continuing viability of the environment, to which the people remain closely tied.

Fourth, BP should demonstrate greater commitment to hiring local residents and to treating them equitably. Hiring local employees helps oil companies to better understand local

environment and ease their operations. Treating them equitably improves employee morale and can thereby increase productivity.

As I have argued, oil companies ought to listen to local residents' voices and formally incorporate their perspective in decision making processes regarding CSR. In particular, I recommend that oil companies democratize their CSR projects and hold elections to appoint local residents to directorship positions within CSR offices.

These recommendations rest on the remarks of respondents, reported in Chapter Four. As is indicated by the Inuit Circumpolar Council's year report, energy development is not only the development of resources, but the development associated with the cultural of the local people. Oil companies should realize their CSR and continue to contribute to local communities' environmental protection and social well-being. This thesis suggests that highly effective and democratic CSR can operate within market dynamics to ensure moral standards, if it reflects local people's needs. As Chapter Two indicated, CSR can help corporations to generate profits. But, CSR can fail if corporation only focuses on generating profits and ignores local people's well-being. Oil companies cannot determine the success and failure of CSR only by themselves, as CSR relates to the local communities where oil companies operate.

## 5.2. Future Study

Future studies should focus on relations between oil companies and local communities, especially their CSR activities. More broad-based, comparative studies would shed further light on the potential and limitations of CSR activities. Comparative case studies of the effectiveness of oil industry CSR activities in other regions of the world would be especially enlightening.

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